



FEMA

W-14037

July 7, 2014

MEMORANDUM FOR: Write Your Own (WYO) Principal Coordinators and the  
National Flood Insurance Program (NFIP) Servicing Agent

A handwritten signature in black ink, appearing to read "Dennis L. Kuhns".

FROM: Dennis L. Kuhns  
Director, Risk Insurance Division  
Federal Insurance and Mitigation Administration (FIMA)

SUBJECT: Refunding Amounts Due Insureds

It has come to our attention that we must clarify the procedures for refunding amounts due insureds. Please see the *WYO Accounting Procedures Manual*, the *NFIP Flood Insurance Manual*, and the *NFIP Edit Specifications for the WYO Program* for more information.

### **Premium Breakage**

Premium breakage is a net underpayment or overpayment of premium with an immaterial variance of \$6.00 or less between the NFIP System-calculated premium and the WYO Company-calculated premium. This can occur on new business applications, endorsements, or renewal applications. WYO Companies report breakage in Miscellaneous Expenses and must submit supporting detail to reconcile to the total amount reported.

If a premium variance amount is \$6.00 or less, a premium refund is not required. If the premium variance amount exceeds \$6.00, the current insurer will be responsible for returning the premium for the current and the prior policy year, provided they were the insurer for that period. If another NFIP insurer was the insurer for the prior policy year, that insurer will be responsible for returning the premium for that policy year.

The insurer must issue the premium refund directly to the insured/policyholder consistent with the above guidance when the calculated premium variance is greater than \$6.00. Premium refunds **shall not** be made to agents or any other third party for their subsequent remittance to policyholders.

### **HFIAA Section 5 Premium Refund Requirements**

Insurers are required to refund any overpayment amount of \$1.00 or more and must issue a revised declaration page that shows the new premium amount and the refund amount. Refunds generated by the process must be mailed to the named insured on the policy, regardless of the payor. Premium refunds **shall not** be made to agents or any other third party for their subsequent remittance to policyholders.